

Paul
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Stumbling Over the BNL Case

BECAUSE OF inordinate delays in getting its Justice Department organized, the Clinton administration has made little progress on the banking scandals that it inherited. If it cannot get them resolved promptly, it increasingly risks becoming entangled in them itself. That is already beginning to happen in the BNL case.

It goes back to 1989, when the FBI discovered that the Atlanta branch of the Banca Nazionale del Lavoro, an Italian government-owned bank, had lent billions of dollars to Iraq. Some of these loans, to buy grain, were guaranteed by the U.S. government. The Justice Department declared that the Atlanta branch manager, Christopher Drogoul, was a renegade operating without the knowledge of the parent bank, and it brought a series of fraud charges that could keep him in prison for the rest of his life.

But after preliminary hearings last summer, the judge in the case, Marvin H. Shoob, concluded that the parent bank in Rome knew exactly what Mr. Drogoul was doing in Atlanta—and approved it. If the bank knew, then Mr. Drogoul was innocent of any fraud. Judge Shoob also observed that the American intelligence agencies seemed to know a lot about BNL and its lending to Iraq. That raised an obvious possibility that the United States government was a participant in a secret scheme to provide funds to Iraq. In response, the Justice Department furiously charged Judge Shoob with attempting to put the government itself on trial, and demanded that he recuse himself from the Drogoul case—as he did.

All that happened before last fall's election. After the election, the bank in Rome sued the United States for \$340 million—the amount of its government-guaranteed loans on which Iraq had by now defaulted. This is the point at which the Clinton administration begins to get sucked into the mess. Mr. Clinton's Justice Department asked the Court of Claims to postpone the suit, citing well-founded suspicions that the bank really knew what its allegedly renegade employee was doing. To avoid paying off the \$340 million, the department respectfully quoted in Washington the same Judge Shoob whom it had denounced in Atlanta. But the department, which has held Mr. Drogoul in prison for the past 15 months, still intends to bring him to trial in September. It is hard to see how the Justice Department can urge an Atlanta jury to find him guilty beyond a reasonable doubt when at the same time it expresses its own very reasonable doubts in another courtroom here in Washington.

The evidence so far strongly suggests that in fact the Bush administration was desperately anxious to help Iraq in its war with Iran, and the Italian government, through BNL, provided one of the conduits for covert aid. No wonder Mr. Bush's Justice Department was reluctant to explore the subject during the election campaign. But Mr. Bush's scandal will inevitably become Mr. Clinton's if his administration does not deal with it rapidly and decisively.